

Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 05961 01 OF 02 101823Z

ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00
COME-00 EPG-02 DODE-00 EB-07 FEAE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
AGR-05 EA-07 FRB-03 IO-13 NEA-10 OPIC-03 LAB-04
SIL-01 /147 W

-----101845Z 023066 /46

R 101808Z JUN 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 0206

INFO ALL EC CAPITALS

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 05961

USEEC, ALSO PARIS FOR OECD

E.O. 11652: GDS

TAGS: TECH, ENRG, EEC

SUBJ: PROBABLE ISSUES TO BE CONSIDERED AT EC ENERGY

COUNCIL JUNE 14

REFS: (A) EC BRUSSELS 3213; (B) EC BRUSSELS 5535;
(C) ECA-235; (D) EC BRUSSELS 5145

1. SUMMARY: THE EC ENERGY MINISTERS AT THEIR COUNCIL MEETING IN LUXEMBOURG ON JUNE 14 DO NOT EXPECT TO REACH ANY MAJOR DECISIONS ON RECENT EC COMMISSION COMMUNICATIONS DESIGNED TO ADVANCE A COMMON EC ENERGY POLICY, BUT WILL DISCUSS THE PROPOSALS IN THE HOPE OF MAKING PROGRESS AT A LATER COUNCIL MEETING. MANY OF THE COMMISSION PROPOSALS HAVE NOT BEEN SUBMITTED IN SUFFICIENT TIME TO PERMIT ADEQUATE PREPARATION BY THE MEMBER STATES IN THE ENERGY COMMITTEE AND COREPER. IT ALSO APPEARS UNLIKELY THAT DECISIONS WILL BE REACHED ON LONG PENDING ISSUES SUCH AS A MINIMUM SUPPORT PRICE (MSP) AND SUBSIDIES FOR COAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRUSSE 05961 01 OF 02 101823Z

STOCKPILES AND CONVERSION OF ELECTRICAL POWER STATIONS FROM OIL TO COAL. FAVORABLE DECISIONS ARE POSSIBLE, HOWEVER, ON SOME RELATIVELY NON-CONTROVERSIAL MEASURES OF SECONDARY IMPORTANCE, PARTICULARLY "RECOMMENDATIONS" ON ENERGY-SAVING MEASURES AND COAL IMPORT MONITORING. END SUMMARY.

2. THE AGENDA AS APPROVED BY COREPER ON JUNE 9 CONSISTS OF THE FOLLOWING EIGHT TOPICS. THE MISSION HAS OBTAINED COMMUNITY DOCUMENTS INDICATING THE STATUS OF MOST TOPICS AND THE POSITIONS OF THE MEMBER STATES.

3. PROGRESS REPORT ON THE WORK PROGRAM FOR THE FIRST HALF OF 1977: THE NETHERLANDS IS EXPECTED BY MEMBER STATES TO RAISE A COMMISSION COMMUNICATION REGARDING "TRANSPARENCY" OF ENERGY PRICES, INCLUDING SUGGESTIONS AS TO HOW TO OBTAIN A BETTER UNDERSTANDING OF THE ROTTERDAM PETROLEUM PRODUCTS MARKET. THIS TOPIC WAS DROPPED FROM THE FORMAL AGENDA BECAUSE MOST DELEGATIONS FELT IT WAS NOT YET RIPE FOR CONSIDERATION AT THE COUNCIL LEVEL, BUT THEY PLAN TO CONSIDER IT IN THE EC ENERGY COMMITTEE IN JULY.

4. NUCLEAR PROBLEMS: THE COMMISSION HAS SUBMITTED A WORKING PAPER POINTING OUT THAT NUCLEAR ELECTRICAL POWER GENERATING CAPACITY BY 1985 IN THE EC WILL MOST LIKELY BE 90 GIGAWATTS (GW) RATHER THAN THE 160-200 GW TARGET APPROVED IN 1974 AND THE 125 GW ESTIMATED AS REASONABLE IN MID-1976. ACCORDING TO THIS PAPER, FAST BREEDER REACTORS WILL NOT BE AVAILABLE FOR COMMERCIAL SERVICE BEFORE 1990, BUT A CONTINUITY OF EFFORT TO DEVELOP THEM SHOULD BE MAINTAINED BECAUSE OF THE PROMISED SAVINGS IN USE OF NUCLEAR FUELS THEY PROVIDE. THE DESIRABILITY OF DEVELOPING A THORIUM HIGH TEMPERATURE PROTOTYPE REACTOR IN COLLABORATION WITH THE US IS POINTED OUT. THE REPORT ALSO NOTES THAT, AS COMMUNITY REPROCESSING CAPACITY BECOMES AVAILABLE, THE EC'S NEEDS FOR URANIUM WILL BE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRUSSE 05961 01 OF 02 101823Z

REDUCED BY 20 PERCENT AND FOR ENRICHMENT SERVICES BY 15 PERCENT. COMMUNITY NUCLEAR R AND D OF ABOUT 35 MILLION UNITS OF ACCOUNT (MUA) PER YEAR IS SAID TO SUPPLEMENT R AND D EFFORTS BY THE MEMBER STATES OF ABOUT 700 MUA ANNUALLY. NO COUNCIL ACTION IS REQUESTED ON THIS TOPIC. THE COMMISSION REPORT ON US NUCLEAR ENERGY POLICY (REF B) IS NOT ON THE AGENDA.

5. COAL: (A) THE ORIGINAL COMMISSION PROPOSAL TO MONITOR EC COAL IMPORTS FROM THIRD COUNTRIES THROUGH ESTABLISHMENT OF AN AUTOMATIC IMPORT LICENSING SYSTEM HAS BEEN DROPPED IN FAVOR OF A PROPOSAL FOR MORE TIMELY AND COMPREHENSIVE REPORTING BY THE MEMBER STATES OF COAL IMPORTS. THIS MEASURE MAY BE APPROVED SINCE THERE HAS BEEN NO OPPOSITION TO DATE.

(B) THE COMMISSION PROPOSAL FOR A REGULATION TO HELP FINANCE GREATER USE OF COAL FOR ELECTRICAL POWER GENERATION (REF D) HAS RUN INTO DIFFICULTIES. SOME MEMBER

STATES DOUBT THAT THE PROPOSED SUBSIDY IS A NECESSARY OR EFFICIENT MEANS OF ACHIEVING THE DESIRABLE CONVERSION TO COAL. FURTHERMORE, COAL PRODUCING STATES WOULD LIKE TO SEE A LARGE PROPORTION OF THIS ASSISTANCE RESERVED FOR POWER STATIONS USING COMMUNITY COAL, WHILE THE OTHERS OPPOSE USING A PETROLEUM SAVING MEASURE TO BENEFIT EC COAL PRODUCERS. THERE ARE ALSO DIFFICULTIES REGARDING THE DEFINITION OF PROJECTS TO MODERNIZE OLD COAL STATIONS OR TO CONVERT EXISTING OIL-FIRED STATIONS TO COAL. THE JUNE 14 COUNCIL INTENDS TO LIMIT ITSELF TO CONSIDERING THE BASIC PRINCIPLES RAISED BY THIS PROPOSAL.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BRUSSE 05961 02 OF 02 110913Z
ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
AGR-05 EA-07 FRB-03 IO-13 NEA-10 OPIC-03 LAB-04
SIL-01 /148 W

-----110921Z 035734 /16-46

R 101808Z JUN 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 0207
INFO ALL EC CAPITALS

C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 05961

C O R R E C T E D COPY - FIRST LINE PARA (C) ADDED

(C) FINANCIAL ASSISTANCE FOR COAL STOCKPILING MUST BE CONSIDERED BY THE EUROPEAN PARLIAMENT AND THE ECONOMIC AND SOCIAL COMMITTEE BEFORE A COUNCIL DECISION IS POSSIBLE SOME DELEGATIONS PREFER THAT THIS PROGRAM BE FINANCED OUT OF THE EUROPEAN COAL AND STEEL COMMUNITY BUDGET RATHER THAN THE GENERAL EC BUDGET AS PROPOSED BY THE COMMISSION. SOME DELEGATIONS BELIEVE THAT APPROVAL OF THIS MEASURE, WHICH WILL MAKE AVAILABLE FUNDS FOR COAL PRODUCING STATES SHOULD BE LINKED TO APPROVAL OF MEASURES BENEFITTING NON-COAL PRODUCING STATES.

6. ENERGY CRISIS MANAGEMENT: A NEW COMMISSION PROPOSAL

FOR REDUCTION OF COMMUNITY CONSUMPTION OF ENERGY IN THE EVENT OF PETROLEUM SUPPLY DIFFICULTIES IS NOW GENERALLY ACCEPTABLE TO THE ITALIANS (WHO BLOCKED ADOPTION OF THE ORIGINAL MEASURE BY THE DECEMBER 1976 ENERGY COUNCIL). HOWEVER, GERMANY AND THE NETHERLANDS OPPOSE IT AND QUESTION WHETHER IT IS COMPATIBLE WITH THE IEA CRISIS MACHINERY. THEY HAVE PROPOSED AN ALTERNATIVE. THE UK HAS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRUSSE 05961 02 OF 02 110913Z

ALSO EXPRESSED A GENERAL RESERVE, APPARENTLY LARGELY BECAUSE THE NEW MEASURE WOULD IMPOSE A SUBSTANTIAL TRANSFER OF BRITISH OIL TO THE OTHER MEMBER STATES IN THE EVENT OF A SUPPLY CRISIS. UNLESS ITALY ACCEPTS THE ORIGINAL PROPOSAL (POSSIBLY LIMITED TO A TEN PERCENT REDUCTION OF ENERGY CONSUMPTION), OUR PERMDEL SOURCES BELIEVE THERE IS LITTLE CHANCE OF REACHING AGREEMENT AT THE JUNE 14 COUNCIL.

7. REFINERY PROBLEMS: REGARDING COMMISSION RECOMMENDATIONS FOR A COMMUNITY APPROACH TO ALLEVIATE THE PROBLEM OF OVERCAPACITY OF THE EC PETROLEUM INDUSTRY, ITALY AND FRANCE SUPPORT RECOMMENDATIONS TO PREVENT ESTABLISHMENT OF NEW REFINERY CAPACITY AND FOR RATIONALIZATION OF EXISTING CAPACITY, WHILE THE UK AND IRELAND OPPOSE ANY RESTRICTIONS ON THEIR ABILITY TO BUILD NEW OIL REFINERIES. OPINIONS ARE ALSO DIVIDED ON THE DESIRABILITY OF MEASURES TO LIMIT IMPORTS OF PETROLEUM PRODUCTS FROM THIRD COUNTRIES. DENMARK, FOR EXAMPLE, IS CONCERNED OVER THE POLITICAL RAMIFICATIONS SUCH MEASURES MIGHT HAVE ON OIL PRODUCING STATES. A DECISION ON THE PROPOSED MEASURES APPEARS UNLIKELY AT THE JUNE 14 COUNCIL MEETING.

8. ENERGY INVESTMENT AND MSP: MOST OBSERVERS AGREE THAT THERE IS VIRTUALLY NO CHANCE OF REACHING AGREEMENT ON TWO RELATED COMMISSION PROPOSALS WHICH WOULD, IN EFFECT, LINK A MINIMUM SUPPORT PRICE (MSP) WITH MEASURES TO ENCOURAGE AND PROTECT ENERGY INVESTMENT IN THE COMMUNITY. ONE MEASURE CONCERNS LOAN GUARANTEE, DIRECT AID AND EC-BACKED CONTRACTS WHICH WOULD ASSURE A MINIMUM SELLING PRICE AND AN ASSURED MARKET FOR A RELATIVELY LONG PERIOD OF TIME. THIS PROPOSAL IS INTENDED TO SATISFY BRITISH DESIRES FOR MSP BUT LINK IT TO GENERAL ACCESS BY EC STATES TO NORTH SEA OIL THROUGH LONG TERM SUPPLY CONTRACTS. THE SECOND PROPOSAL CONCERNS HOW AN MSP ON IMPORTED OIL COULD BE IMPLEMENTED IN PRACTICE, E.G.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRUSSE 05961 02 OF 02 110913Z

IMPORT RESTRICTIONS OR TAXES. THERE HAS BEEN LITTLE TIME TO CONSIDER ALL THE DETAILS OF THIS COMPLEX PROPOSAL BUT SEVERAL PERMDEL SOURCES HAVE INDICATED SERIOUS RESERVATION AS TO ITS ACCEPTABILITY. A NEW PROPOSED REGULATION PROVIDING FOR FINANCIAL AID FOR PROJECTS TO EXPLOIT ALTERNATIVE SOURCES OF ENERGY HAS BEEN INCLUDED UNDER THIS TOPIC AT ITALIAN INSISTENCE. IT IS ALSO NOT DEEMED "RIPE" FOR A COUNCIL DECISION.

9. RATIONAL USE OF ENERGY: THERE HAS NOT BEEN SUFFICIENT TIME TO CONSIDER RECENT PROPOSALS FOR ENERGY SAVING MEASURES, INCLUDING THOSE REPORTED BY REC C, AND A PROPOSAL TO PROVIDE FINANCIAL AID TO MODERNIZE EXISTING BUILDINGS TO SAVE ENERGY. SOME PERMDEL OBSERVERS BELIEVE THE COUNCIL MAY APPROVE ONE OR MORE OF THE SET OF FOUR COMMISSION PROPOSALS IN REGARD TO ENERGY SAVING WHICH DO NOT IMPOSE FINANCIAL COMMITMENTS OR REQUIRE POLITICALLY SENSITIVE POLICY DECISIONS. HINTON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, POLICIES, MEETING REPORTS, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 10-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE05961
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770208-0128
Format: TEL
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770670/aaaacjoi.tel
Line Count: 243
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1e04ee7f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 EC BRUSSELS 3213, 77 EC BRUSSELS 5535, 77 EC BRUSSELS 5145
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2205266
Secure: OPEN
Status: NATIVE
Subject: PROBABLE ISSUES TO BE CONSIDERED AT EC ENERGY COUNCIL JUNE 14
TAGS: TECH, ENRG, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/1e04ee7f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009